

Technical Consultant's Public Report for the DPL FP-SOS 2023 RFP Tranche 2

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Executive Summary

Siemens PTI has completed its monitoring activities as the Technical Consultant for the Delaware Public Service Commission in the Delmarva Power & Light's (DPL) FP-SOS 2023 Tranche 2 Auction event, which solicited bids for the Standard Offer Service (SOS), held on January 30, 2023.

Siemens PTI concludes that:

- Energy markets exhibit moderate price levels currently, and the conditions were not adverse as to delay the auction
- Opening bid prices for the blocks in the Tranche 2 Auction were set at levels that reflected the market and encouraged greater supplier participation
- The auction process was conducted in a manner consistent with the RFP guidelines end-to-end
- The level of participation for the 4 (four) RSCI and the 3 (three) MG-S blocks that were auctioned indicated that the process was competitive
- The winning bid prices for the 4 (four) RSCI and the 3 (three) MG-S blocks were in line with the current market conditions and further indicated a competitive auction process
- The level of participation in the other blocks auctions and the number and pattern of submitted bids indicated that the process was not competitive for those respective blocks

Siemens PTI's Role

Siemens PTI independently monitored the SOS RFP process and specifically:

- Reviewed the tasks and materials related to supplier communication pre- and post-auction
- Reviewed website access controls for bidders as well as DPL staff
- Monitored bidder eligibility
- Confirmed Enel X's fees
- Developed a power market assessment and approved opening prices
- Produced an independent analysis of the expected price ranges of the potential winning bids
- Monitored the auction event remotely and confirmed the results with the Commission Staff and Enel X

Overview of Auctions

The Tranche 2 Auction was held to procure power for all customer classes mentioned below for a total of 382.1 MW.

- The contracts for the RSCI service type have delivery periods of June 1, 2023, to May 31, 2025
- MG-S, LG-S and GS-P contracts have delivery periods of June 1, 2023, to May 31, 2024

Service Type	Term (months)	Blocks	Block Size (MW)	Total MW
Residential & Small Commercial & Industrial (RSCI)	24	4	53.4	213.6
Medium General Service – Secondary (MG-S)	12	3	44.2	132.6
Large General Service – Secondary (LG-S)	12	1	14.0	14.0
General Service – Primary (GS-P)	12	1	21.9	21.9
Total		9		382.1

Level of Participation – Number of Bidders

The initial level of announced participation in the Tranche 3 2023 RFP was in line with past auctions and created the prerequisite for a competitive bidding process. A significant percentage of suppliers declined to participate a short time before the auction started, making actual participation less than in previous years.

- Ten (10) Expressions of Interest
- Seven (7) Eligible Bidders
- Four (4) Eligible Bidders participated in the Tranche 2 Auction

Count	2016	2017	2018	2019	2020	2021	2022	2023
Expression of Interest (EOI)	11	12	12	10	12	13	12	10
Eligible Bidders	8	8	7	7	9	9	8	7
Actual Bidders	8	6	6	6	9	9	8	4

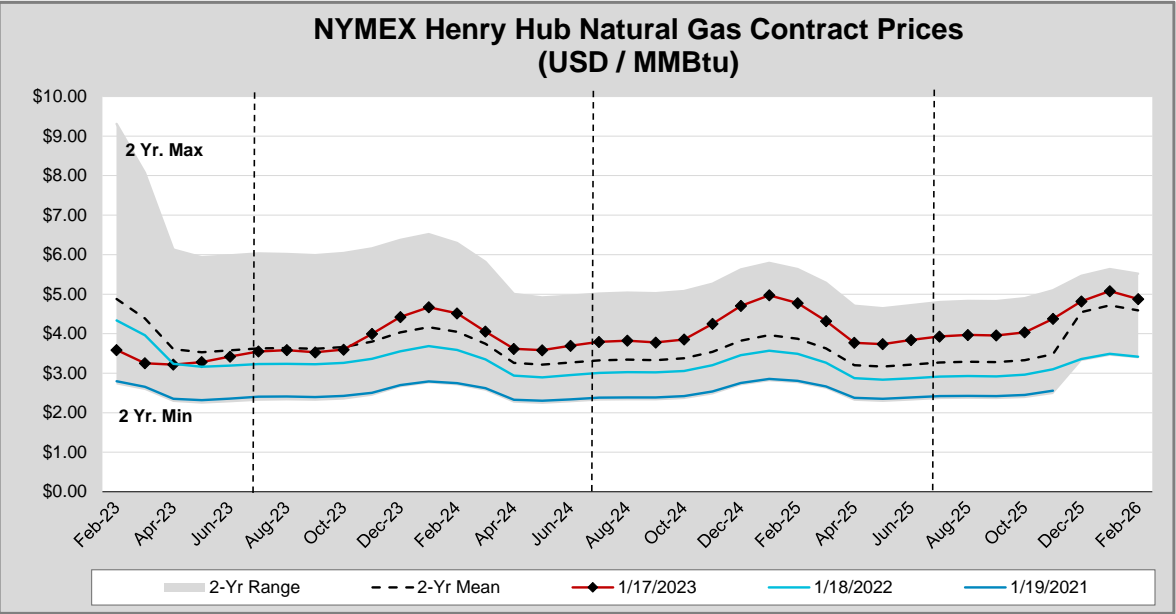
Markets Assessment

Prior to the Tranche 2 Auction, Siemens PTI independently assessed the market conditions and submitted a pre-bid market assessment report to achieve the following goals:

- Identify and analyze if there were any adverse market conditions that could warrant postponing of the Tranche 2 Auction
- Review, verify, and provide recommendations regarding Enel X's Opening Prices for each auctioned block, of all service types, taking into consideration the expected price ranges, various risks, and feedback from suppliers and DPL
- Review and verify Enel X's estimate of the range of expected winning prices for each service type and produce an independent analysis of these price ranges

Siemens PTI concluded that there were no severely adverse market conditions that would require postponing the Tranche 2 Auction, and the event should continue as planned.

Gas Market Forward Outlook



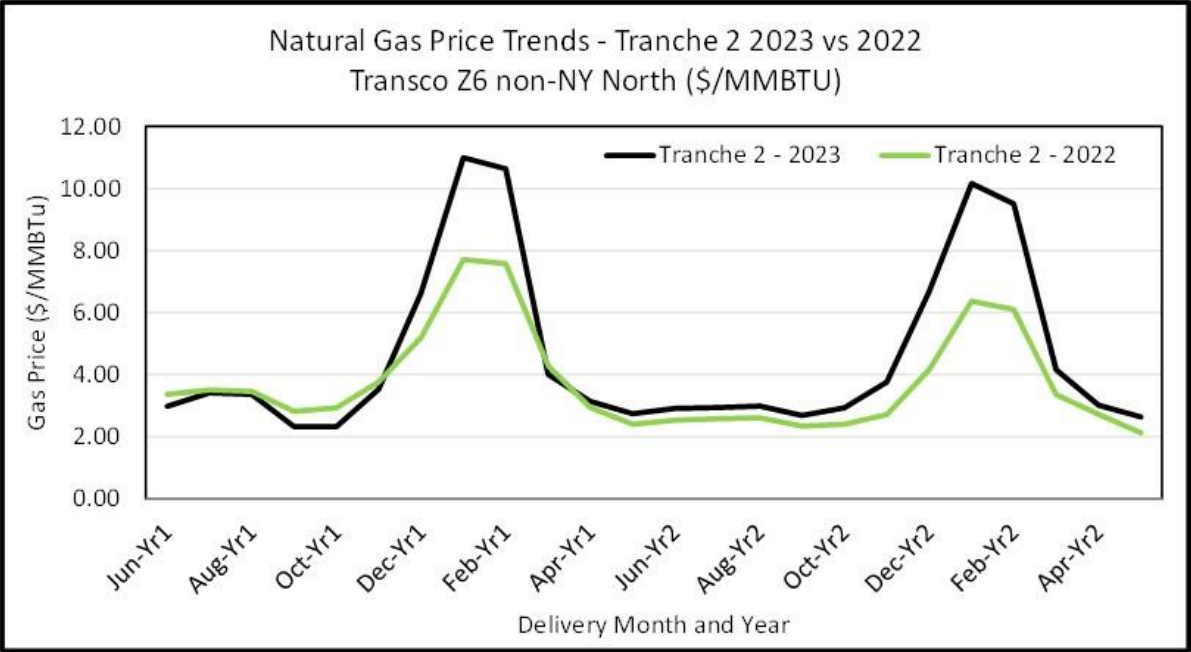
The year 1 12-month strip price* for Transco Zone 6 non-NY North delivery location is 12.3% higher year-over-year

The year 2 12-month strip price is 36% higher year-over-year

The forward market for natural gas at Transco Zone 6 non-NY North is still in backwardation, because of the large winter basis, despite a contangoed curve at Henry Hub

*Strip Price is, in this case, the (non-weighted) average of forward market prices for a delivery year

Source of chart data:: CME Group (NYMEX), S&P Capital IQ, Siemens PTI, as of Jan 17, 2023

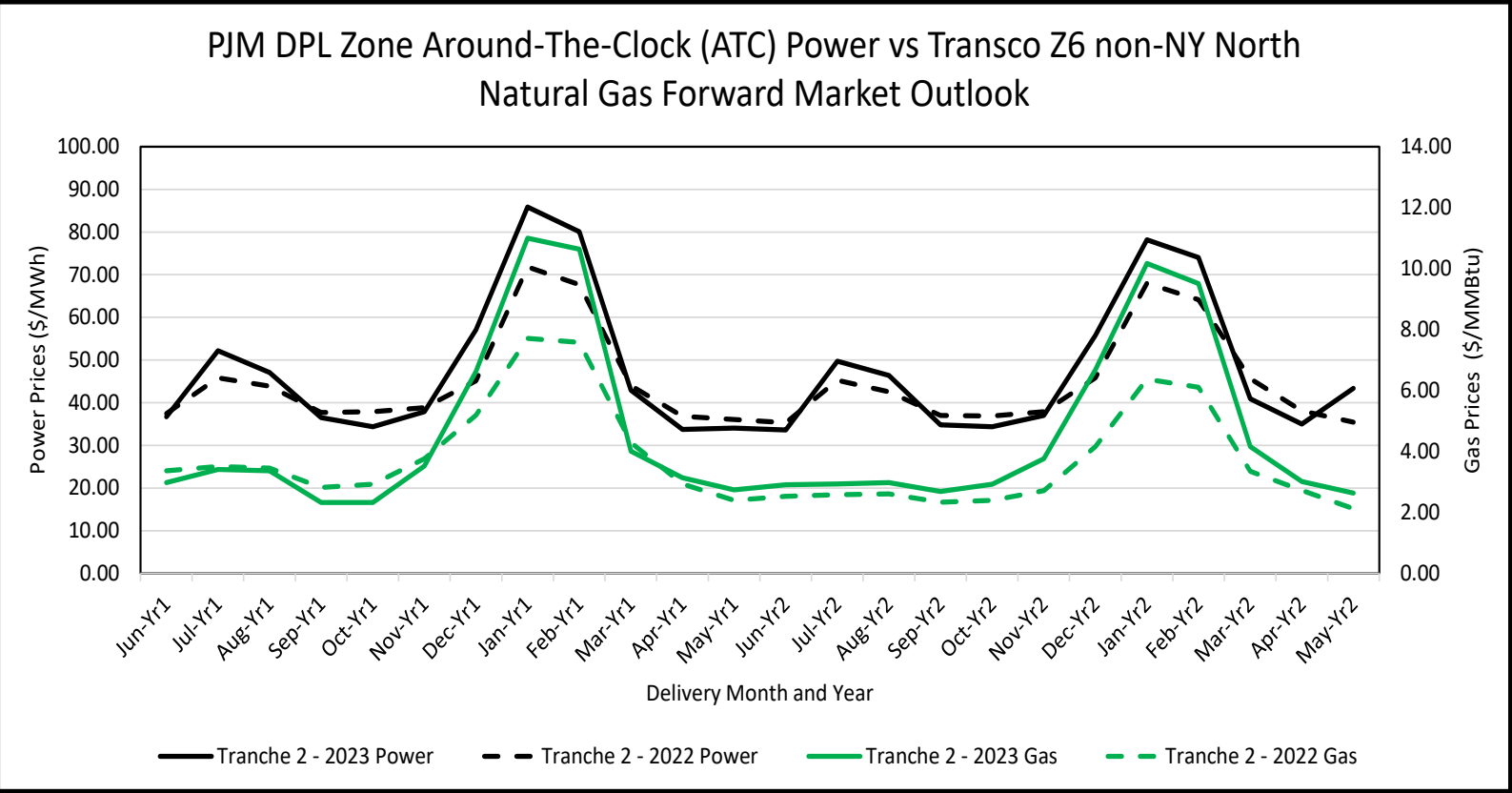


The natural gas prices in the US have dropped during the last two months and reached moderate levels, but still exhibit high levels of volatility.

- Natural gas demand expected to contract over the first half of calendar year 2023 across sectors, except LNG exports, and rebound slightly during the second half of calendar year 2023
- Average natural gas storage levels
- Geopolitical events and energy transition

Source of chart data:: CME Group (NYMEX), Siemens PTI, as of Jan 17, 2023

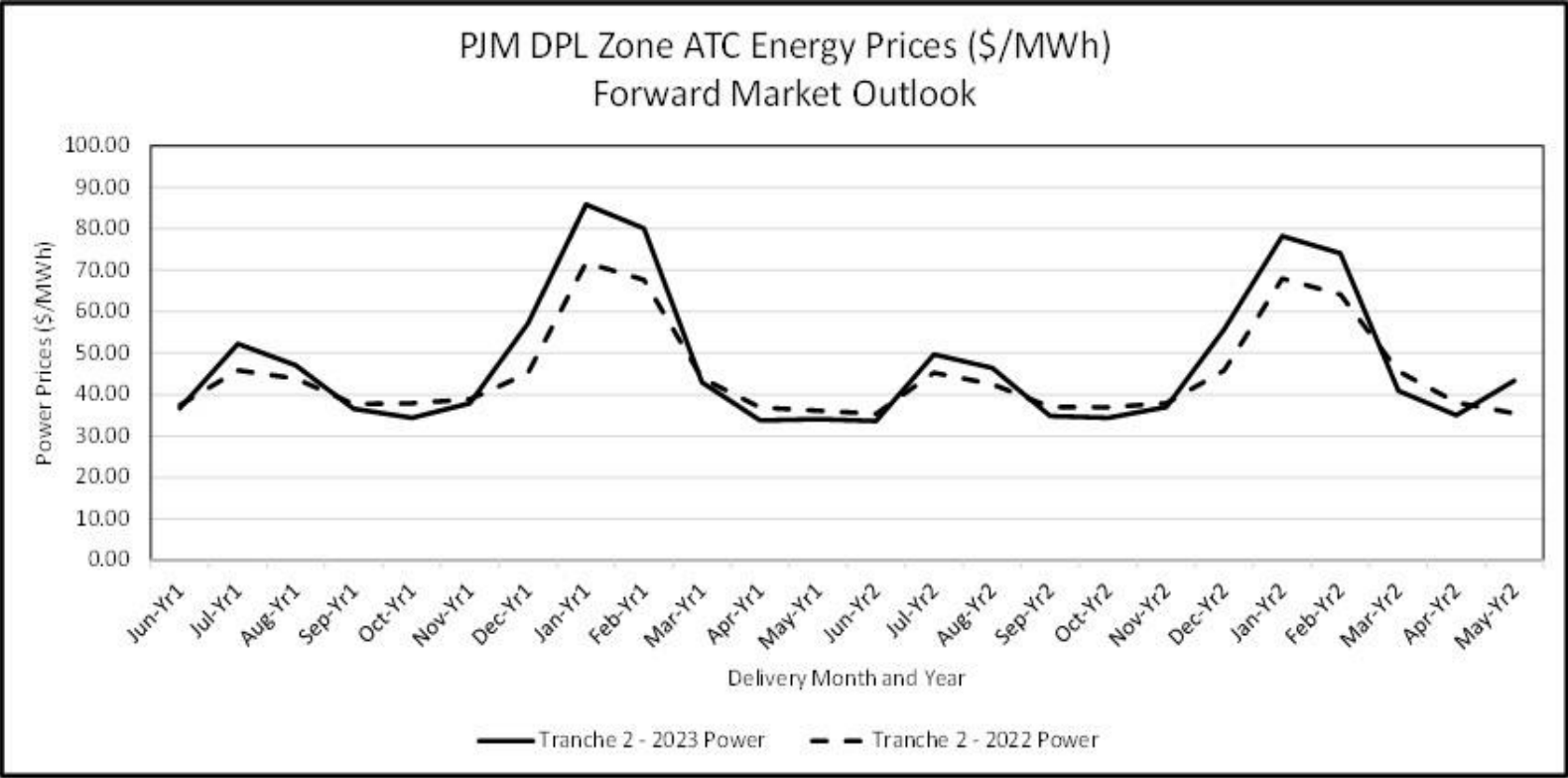
The PJM forward markets for power are closely correlated with the corresponding gas markets



- Natural gas fired generation tends to be on the margin, thereby determining the Locational Marginal Prices (LMPs) for power in the PJM market
- The DPL zone forward prices for power are positively correlated with the Transco Zone 6 Non-NY prices, especially for the winter months
- The current forward prices for PJM DPL power are slightly higher year-over-year

Source of chart data: CME Group, S&P Capital IQ, Siemens PTI, as of Jan 17, 2023

PJM Power Market Forward Outlook



- The PJM DPL power prices have followed the natural gas prices downwards over the last two months and present only slightly higher levels compared to the same time last year
- The peak winter months are the only months that still show significantly higher prices, due to the high gas basis
- The year 1 12-month strip price for PJM’s DPL zone is 6.5% higher year-over-year
- The year 2 12-month strip price is 5.9% higher year-over-year

*Strip Price is, in this case, the non-weighted average of forward market prices for a delivery year

Source of chart data: CME Group, S&P Capital IQ, Siemens PTI, as of Jan 17, 2023

PJM Capacity Market Prices

Delivery Period	Jan-20 Auction	Jan-21 Auction	Jan-22 Auction	Jan-23 Auction
June 2020 – May 2021	\$175.11	-	-	-
June 2021 – May 2022	\$162.79	\$164.89	-	-
June 2022 – May 2023	-	\$151.70*	\$97.75	-
June 2023 – May 2024	-	-	\$118.12*	\$56.59
June 2024 – May 2025	-	-	-	\$69.53*

- The pricing for all blocks in the 2023 RFP is impacted by the capacity prices for the June 2023-May 2024 PJM period
- The pricing for the RSCI blocks is also impacted by June 2024-May 2025 capacity prices, with the auction initially planned to be held in December 2022 and subsequently postponed by PJM
- Proxy provided in the interim for June 2024-May 2025 capacity prices

Source: PJM, Delaware PSC

* Highlight indicates Commission approved Proxy Price was used as capacity price for the specific delivery period

Conclusions and Recommendations

Siemens PTI concludes the following:

- Currently, energy markets exhibit moderate prices, while volatilities are still at high levels, but the conditions were not adverse as to delay the 2023 RFP process
- Opening bid prices for the Tranche 2 Auction blocks were set at levels that reflected the market and encouraged greater supplier participation
- The auction process was conducted in a manner consistent with the RFP guidelines end-to-end
- The actual auction was well run on the Enel X auction platform
- The level of participation and bids from suppliers led to a competitive outcome for the 4 (four) RSCI and the 3 (three) MG-S blocks
- The winning bid prices for all 4 (four) RSCI and all 3 (three) MG-S blocks were in line with the current market conditions and indicated a competitive auction process

Siemens PTI recommends approving the winning bids of the RSCI and MG-S Tranche 2 Auction blocks

Conclusions and Recommendations

Siemens PTI concludes the following:

- The level of participation in the LG-S, and GS-P blocks auctions and the number and pattern of bids submitted indicated that the process was not competitive

Siemens PTI recommends reauctioning the LG-S and GS-P blocks from Tranche 2

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